

# KINDSVATTER & ASSOCIATES, INC.



*Strategic Initiatives for Government Relations • Organization Management*

**To:** Members of the House Transportation Committee  
**From:** Derek Dalling  
**Date:** June 20, 2006  
**Re:** House Bill 6031

The Car and Truck Rental and Leasing Association of Michigan (CATRALA), as its name implies, represents the car and truck rental and leasing industry. One of the issues affecting our membership is joint and several liability under Michigan's Motor Carrier Fuel Tax Act.

The International Fuel Tax Agreement (IFTA), of which Michigan is a member, clearly addresses lessor/lessee fuel tax responsibility. The Michigan fuel tax joint and several liability law predates the states' agreement to join IFTA and directly conflicts with the IFTA Articles of Agreement. The IFTA agreement clearly states that should a lessee fail to fulfill their fuel tax obligation, a truck lessor is required to remit to the state a copy of the lease contract showing the lease customer's company name and contact information. The state then pursues the delinquent taxpayer rather than forcing truck lessors to act as an enforcement arm for the Department of Treasury.

Michigan is the only state that holds a truck lessor jointly and severally liable for fuel tax unpaid by the lessee responsible for the tax. The fuel tax joint and several liability law penalizes Michigan truck lessors by unfairly placing them at far greater financial risk for payment of taxes owed by a third party while lessors based outside of Michigan are not held liable for non-payment of fuel tax by Michigan customers. Legislation to impose a two year moratorium on enforcement of the fuel tax joint and several liability provision was enacted in 2004. That moratorium is due to expire at the conclusion of 2006. Enactment of HB 6031 would ensure once and for all that Michigan's truck lessors are no longer unfairly held accountable for a third party's fuel tax liabilities.

Two years ago, CATRALA pursued legislation to repeal the joint and several liability provision. Treasury opposed the legislation, and CATRALA, instead settled for compromise language that keeps a burden upon the lessor with a sunset clause. The sunset expires April 1, 2007.

While simply removing the sunset would be a simple solution, for the reasons above, CATRALA believes the joint and several liability provision is inherently unfair and potentially detrimental burden upon Michigan based businesses. Therefore, CATRALA encourages your support of HB 6031 to repeal the joint-several liability provision, to level the playing field for Michigan truck lessors, and to put a stop to an unjust tax collection system that penalizes Michigan companies.